

# MICHIGAN ECONOMIC INDICATORS

A newsletter on key economic indicators prepared by the Senate Fiscal Agency.

---

## ECONOMIC HIGHLIGHTS

---



- The preliminary estimate for **inflation-adjusted Gross Domestic Product (GDP)** showed growth of 3.9% in the third quarter of 2004, compared with 3.3% growth in the second quarter. The faster growth rate in the third quarter reflected a substantial improvement in the growth of personal consumption expenditures and a slight improvement in net exports, particularly due to slower growth in imports. These improvements more than offset decreases in inventory accumulation and much slower growth in residential investment.
- **Motor vehicle sales** declined 2.9% between September and October but were 5.7% above the level one year ago. Only heavy truck sales and sales of imported vehicles exhibited monthly increases in October, although all sectors other than domestic automobiles were above year-ago levels. Automobile sales were 3.8% above year-ago levels, with sales of domestic automobiles down 3.2% and sales of imported automobiles up 22.0%.
- **Housing starts** rose 6.4% between September and October, and were 2.2% above the level in October 2003. The October 2004 level was the highest level of starts since December 2003, despite higher interest rates. All regions of the country reported gains in starts on a monthly basis, although starts in the Midwest and the South were below year-ago levels.
- The U.S. **consumer price index** rose at an annual rate of 7.9% between September and October, and was 3.2% above the level one year ago. More than half of the increase was due to a sharp rise in energy prices, particularly petroleum energy and gasoline prices.



- The Michigan **unemployment rate** fell to 6.6% in October from 6.8% in September. Employment in October was up 24,000 jobs from September and was 56,000 jobs (1.2%) above the level one year ago. October's monthly employment increase marked the third consecutive month that employment increased.
- **Michigan's payroll employment** rose by 15,000 jobs between September and October, but was still 32,000 jobs below the level in October 2003. Employment increased or remained flat in all sectors except the information and trade, transportation, and utilities sectors. Compared with one year ago, manufacturing employment was down by 7,000 jobs, compared with a 6,000 job decline in government employment and a 23,000 job decline in trade, transportation, and utilities.
- **Tax revenue** from Michigan's 12 major taxes totaled \$2,324.6 million in October and was 2.1% above revenue a year ago. However, after adjusting for the change in the collection schedule for the State education tax, revenue was down 3.2% from the level one year ago. Partially because of continued sluggishness in the Michigan economy and partly because of timing issues related to when taxes are due and October ending on a weekend, receipts from the sales tax, use tax, single business tax, and insurance tax were all noticeably below year-ago levels.



OCTOBER 2004

Prepared by:  
David Zin  
Economist

**U.S. & MICHIGAN LABOR MARKET NEWS**  
(Seasonally adjusted, thousands)

U.S.	Oct. 2004	Sept. 2004	Oct. 2003	Change from Sept.		Change from Year Ago	
				Number	Percent	Number	Percent
Labor Force	147,850	147,483	146,892	367	0.2%	958	0.7%
Employment	139,778	139,480	138,095	298	0.2	1,683	1.2
Unemployment	8,072	8,003	8,797	69	0.9	(725)	(8.2)
Unemployment Rate	5.5%	5.4%	6.0%	---	---	---	---

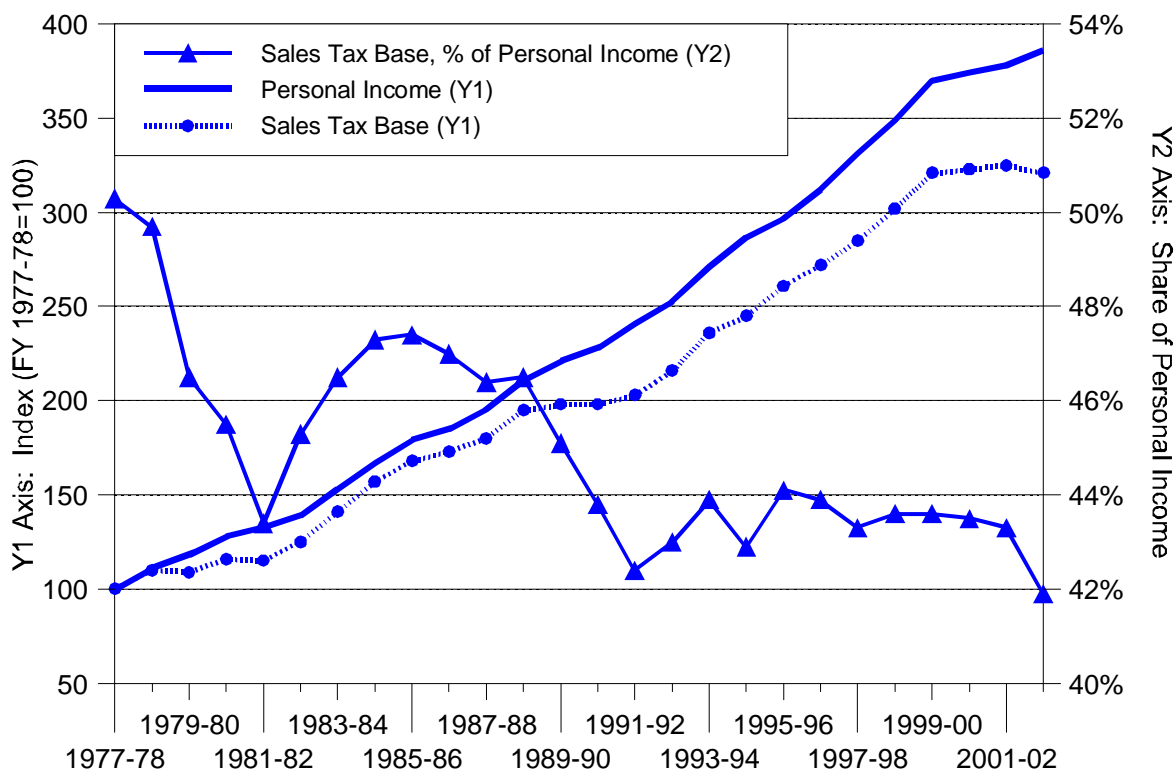
  

Michigan	Oct. 2004	Sept. 2004	Oct. 2003	Change from Sept.		Change from Year Ago	
				Number	Percent	Number	Percent
Labor Force	5,082	5,064	5,076	18	0.3%	5	0.1%
Employment	4,745	4,720	4,689	24	0.5	56	1.2
Unemployment	337	343	387	(7)	(1.9)	(50)	(13.0)
Unemployment Rate	6.6%	6.8%	7.6%	---	---	---	---

Source: U.S. Department of Labor, Bureau of Labor Statistics

## Taxable Sales Growing More Slowly Than Personal Income

Transactions Under Sales Tax Decline as Share of Personal Income



Source: Bureau of Economic Analysis, Mi. Dept. of Mgmt. & Budget, Senate Fiscal Agency

<b>MICHIGAN WAGE AND SALARY EMPLOYMENT</b> (Seasonally adjusted, thousands)							
	Oct. 2004	Sept. 2004	Oct. 2003	<u>Change from Sept.</u>		<u>Change from Yr Ago</u>	
				Number	Percent	Number	Percent
<b>Total Nonagricultural Jobs</b>	4,373	4,358	4,405	15	0%	(32)	(1)%
<b>Goods Producing Industries</b>	904	900	911	3	0	(8)	(1)
Natural Resources & Mining	7	7	8	0	0	(1)	(7)
Construction	190	190	191	0	0	(0)	(0)
Manufacturing	706	703	713	3	0	(7)	(1)
Transportation Equipment	265	262	274	4	1	(9)	(3)
<b>Service Producing Industries</b>	3,469	3,458	3,493	11	0	(24)	(1)
Trade, Transportation & Utilities	791	797	814	(6)	(1)	(23)	(3)
Information	65	66	70	(1)	(1)	(5)	(7)
Financial Activities	215	214	219	1	0	(4)	(2)
Professional & Business Services	591	590	585	1	0	6	1
Education & Health Services	553	547	552	6	1	1	0
Leisure & Hospitality Services	400	399	398	1	0	2	0
Other Services	176	176	172	0	0	5	3
Government	676	668	683	9	1	(6)	(1)

**Source:** Bureau of Labor Statistics, U.S. Department of Labor Preliminary

<b>MICHIGAN AVERAGE WEEKLY HOURS AND EARNINGS</b>						
Industry	<u>Average Weekly Hours</u>			<u>Average Weekly Earnings</u>		
	Oct. 2004	Year Ago	Percent Change	Oct. 2004	Year Ago	Percent Change
Nat. Resources, Mining & Construction	38.4	39.7	(3.3)%	\$ 848.64	\$ 859.90	(1.3)%
Manufacturing	42.9	42.6	0.7	930.07	917.60	1.4
Durable Goods	43.8	43.6	0.5	1,017.47	1,004.98	1.2
Motor Vehicle Manufacturing	44.7	45.4	(1.5)	1,390.62	1,426.01	(2.5)
Motor Vehicle Parts Manufacturing	44.7	45.2	(1.1)	1,226.12	1,213.62	1.0
Nondurable Goods	39.2	38.5	1.8	581.34	557.48	4.3
Wholesale Trade	38.2	36.4	4.9	708.99	663.21	6.9
Retail Trade	29.8	29.0	2.8	348.36	321.03	8.5
Grocery Stores	24.2	25.8	(6.2)	213.69	234.26	(8.8)
General Merchandise Stores	28.8	28.4	1.4	299.81	284.85	5.3
Information	36.8	31.7	16.1	641.79	522.42	22.8
Financial Activities	32.6	35.1	(7.1)	526.49	556.69	(5.4)
Prof. & Business Services	34.9	34.5	1.2	550.72	554.07	(0.6)
Health Care & Social Assistance	34.6	34.4	0.6	565.02	545.24	3.6
Leisure & Hospitality	22.7	22.9	(0.9)	184.78	186.64	(1.0)
Auto. Repair & Maintenance	33.5	36.7	(8.7)	562.80	586.10	(4.0)
Personal & Laundry Services	26.4	26.9	(1.9)	338.18	331.41	2.0

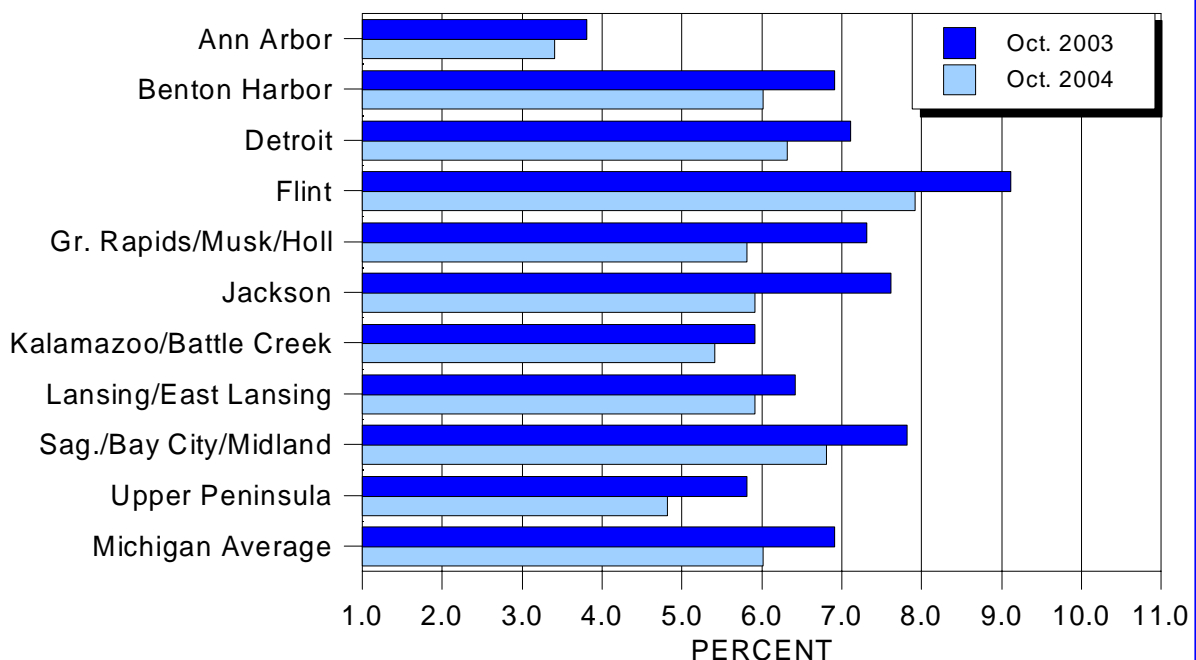
**Source:** U.S. Department of Labor, Bureau of Labor Statistics

**MICHIGAN UNEMPLOYMENT RATES  
BY SELECTED METROPOLITAN AREAS AND MULTI-COUNTY AREAS  
(Not Adjusted for Seasonal Variations)**

	Oct. 2004	Sept. 2004	Aug. 2004	Oct. 2003
<b>Metropolitan Statistical Areas</b>				
Ann Arbor	3.4%	3.8%	3.6%	3.8%
Benton Harbor	6.0	6.2	6.5	6.9
Detroit	6.3	6.7	6.6	7.1
Flint	7.9	8.3	8.3	9.1
Grand Rapids	5.8	6.0	6.0	7.3
Jackson	5.9	6.2	6.4	7.6
Kalamazoo-Battle Creek	5.4	5.6	5.6	5.9
Lansing-East Lansing	5.9	4.9	4.8	6.4
Saginaw-Bay City-Midland	6.8	7.3	7.2	7.8
<b>Multi-County Areas</b>				
Northeast Lower Michigan	6.3	6.1	6.3	7.7
Northwest Lower Michigan	5.6	5.6	5.4	6.5
Upper Peninsula	4.8	4.9	5.2	5.8
<b>Michigan Statewide Average</b>				
-- Unadjusted (comparable to figures shown above)	6.0	6.2	6.2	6.9
<b>Source:</b> Michigan Department of Labor and Economic Growth.				*Preliminary.

**Michigan Regional Unemployment Rates**

October 2003 and October 2004

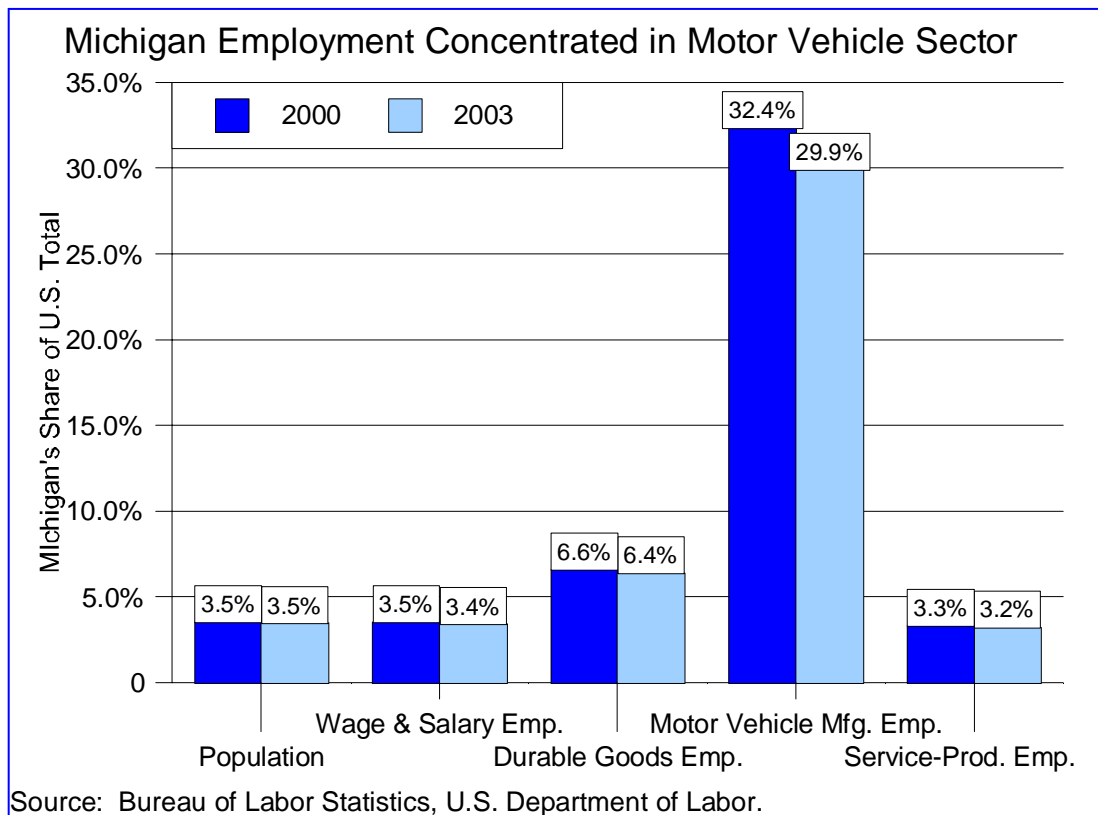


Source: Michigan Department of Labor and Economic Growth

**MOTOR VEHICLE SALES AND PRODUCTION STATISTICS  
(Thousands of Units)**

	Oct. 2004	Sept. 2004	Aug. 2004	July 2004	Year Ago Oct.	Percent Change From:	
						Oct./Sept.	Oct. 2004/ Oct. 2003
<b>Motor Vehicle Sales<sup>1,2)</sup></b> <b>(thousands of units, SAAR)</b>							
Autos	7,537	7,331	7,153	7,504	7,259	2.8	3.8
Domestics	5,066	5,261	5,153	5,450	5,234	(3.7)	(3.2)
Imports	2,471	2,070	2,000	2,054	2,025	19.4	22.0
Import Share	32.8%	28.2%	28.0%	27.4%	27.9%	---	---
Light Trucks	9,385	10,133	9,404	9,694	8,835	(7.4)	6.2
Domestics	8,079	8,912	8,214	8,409	7,654	(9.3)	5.6
Imports	1,306	1,221	1,190	1,285	1,181	7.0	10.6
Import Share	13.9%	12.0%	12.7%	13.3%	13.4%	---	---
Heavy Trucks	463	446	431	440	348	3.8	33.0
Total	17,385	17,910	16,988	17,638	16,442	(2.9)	5.7
<b>U.S. Motor Vehicle Production<sup>1,2)</sup></b> <b>(millions of units, SAAR)</b>							
Autos	4,062	4,316	4,330	4,146	4,541	(5.9)	(10.5)
<b>Michigan Motor Vehicle Production<sup>2,3)</sup></b> <b>(thousands of units, SAAR)</b>							
Autos	1,148	1,234	1,131	1,175	1,470	(7.0)	(21.9)
Trucks	1,426	1,484	1,260	1,217	1,360	(4.0)	4.8
Total	2,573	2,719	2,392	2,392	2,830	(5.3)	(9.1)
Michigan Production as % of U.S.	22.9%	21.9%	19.9%	15.9%	22.1%	---	---
<b>U.S. Motor Vehicle Inventories<sup>4)</sup></b>							
Total Car	1,524	1,449	1,431	1,433	1,559	5.2	(2.3)
Days Supply	69	58	55	55	72	19.0	(4.2)
Total Truck	2,325	2,233	2,261	2,283	2,117	4.1	9.8
Days Supply	85	69	73	72	80	23.2	6.3

**Sources:** 1) U.S. Department of Commerce, Bureau of Economic Analysis. 2) SAAR = Seasonally Adjusted at Annual Rates. 3) Michigan Department of Treasury, Office of Revenue and Tax Analysis and the Senate Fiscal Agency. 4) Automotive News, Crain Communications, Inc. (ending inventory)



OTHER KEY ECONOMIC INDICATORS

Variable	Latest Period	Actual Data			Percent Chng From	
		Latest Period	Previous Period	Year Ago	Previous Period*	Year Ago
<b>Weekly Leading Index</b> , monthly <sup>1)</sup> (1992=100)	Oct.	130.6	131.2	128.4	(0.5)%	1.7%
<b>Coincident Index</b> <sup>1)</sup> (1992=100)	Oct.	143.9	143.3	138.9	0.4	3.6
<b>Housing Starts, U.S.</b> <sup>2)</sup> (thousands of units, SAAR)	Oct.	2,027	1,905	1,983	6.4	2.2
<b>Retail Sales, U.S.</b> <sup>2)</sup> (billions, seasonally adjusted)	Oct.	\$309.0	\$308.6	\$287.1	0.1	7.6
<b>Industrial Production Index</b> 3) (1997=100, seasonally adjusted)	Oct.	117.6	116.8	111.8	0.7	5.2
<b>Capacity Utilization</b> <sup>3)</sup> (% of total capacity, seasonally adjusted)	Oct.	77.7	77.3	75.0	0.6	3.6
<b>Consumer Price Index</b> <sup>4)</sup> (1982-84=100)						
U.S. (seasonally adjusted)	Oct.	190.9	189.7	184.9	7.9	3.2
Detroit (not seasonally adjusted)	Oct.	187.6	186.8	183.3	2.6	2.3
<b>Interest Rates</b>						
3-month Treasury Bill <sup>3)</sup>	Oct.	1.75%	1.65%	0.93%	---	---
Corporate Aaa Bonds <sup>3)</sup>	Oct.	5.47%	5.46%	5.70%	--	---
<b>Real Gross Domestic Product</b> <sup>5)</sup> (billions of 2000 \$, SAAR, Chain-Weighted)	3rd Qtr. 2004	\$10,889.7	\$10,784.7	\$10,472.8	4.0	4.0
<b>Michigan Tax Collections</b> <sup>6)</sup> (12 major taxes, millions)	Oct. 2004	\$2,324.6	\$1,936.0	\$2,275.9	NM	2.1

SAAR = Seasonally Adjusted at Annual Rates. NM = Not Meaningful.  
Revenue data vary greatly from month-to-month due to timing and other noneconomic factors.  
\*Note: Percent changes from previous period for CPI and GDP at annual rate.

**Sources:** 1) Economic Cycle Research Institute 2) U.S. Department of Commerce, Bureau of the Census. 3) Board of Governors of the Federal Reserve System. 4) U.S. Department of Labor, Bureau of Labor Statistics. 5) U.S. Department of Commerce, Bureau of Economic Analysis. 6) Michigan Department of Treasury and the Senate Fiscal Agency.

